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# Ninth annual progress report on the implementation of the capital master plan

## Report of the Secretary-General

*Summary*

The ninth annual progress report on the capital master plan is submitted pursuant to section II, paragraph 34, of General Assembly resolution 57/292 and paragraph 53 of resolution 65/269. The present report outlines the status of the project since the issuance of the previous annual progress report (A/65/511).

Significant progress has been achieved over the past year, including the replacement of the curtain wall in the Secretariat Building, the abatement of asbestos and the removal of obsolete materials from the Secretariat and Conference Buildings, the construction of an electrical vault in the basements, coordination with participating Member States regarding donations for particular rooms, and the award of guaranteed maximum price contracts for additional aspects of the project. In addition, the Conference Building was redesigned to take into account enhanced security upgrades following the conclusion of discussions with and the receipt of funding from the host country. Additional progress was made on the design and construction documents, and plans are at an advanced stage for the reoccupation of the Secretariat Building.

Three years into the project, the Organization remains within reach of completing the project with a variance of no more than 4 per cent above the original budget. The infrastructure and Secretariat portions of the project will be completed approximately on schedule, and the Conference Building and the General Assembly Building will be completed approximately one year behind schedule.

Combined estimates of the capital master plan, associated costs and secondary data centre resource requirements until the completion of the project are provided in section XII of the present report. Detailed resource requirements and expenditure for the associated costs are presented in the addendum to the report (A/66/527/Add.1).



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The associated costs of the capital master plan, including for the creation of a secondary data centre, are outside of the original scope of the capital master plan. The associated costs cannot be fully absorbed within the capital master plan budget and therefore require additional financial resources, beginning in 2013. In response to the recommendations the Board of Auditors presented in its report (A/66/5 (Vol. V)) and pursuant to paragraph 13 of General Assembly resolution 61/251 and resolution 65/269, the Office of the Capital Master Plan developed financing proposals.

The Secretary-General requests the General Assembly to approve the consolidated project requirements in the amount of $2,271.5 million, inclusive of the associated costs and secondary data centre costs in the amount of $167.5 million, and to endorse the recommendations and proposals contained in section XIV of the present report with respect to the utilization of the interest earned on the capital master plan funds and the capital reserve fund in the cumulative amount of $149.1 million.

# I. Introduction

1. In December 2007, the General Assembly, in its resolution 62/87, approved the proposal of the Secretary-General for an accelerated strategy for the capital master plan project, with lower risks of financial surprise and disruption than those inherent in the phased approach on which the prior strategy was based. The present report provides an update on the status of the project since the issuance, in October 2010, of the previous annual progress report (A/65/511).

2. In paragraph 13 of its resolution 65/269, the General Assembly reiterated its request that the Secretary-General make every effort to avoid budget increases through sound project management practices and to ensure by all means that the capital master plan was completed within the budget as approved by the General Assembly in its resolution 61/251, and to report thereon in the present report. The Secretary-General confirms that every possible effort has been made to avoid budget increases and is pleased that it remains possible that the project as authorized by the General Assembly will be completed at or within 4 per cent of the approved budget. The budget as originally approved by the General Assembly did not include scope provisions for either the associated costs or the costs of the secondary data centre. Those costs when added to the construction costs for the original scope of the capital master plan, will result in a total cost to complete in excess of the budget originally authorized for the capital master plan.

3. In paragraph 14 of its resolution 65/269, the General Assembly reiterated its request that the Secretary-General make every effort to finish the project in accordance with the schedule approved in its resolution 62/87. The Secretary-General has made every effort to do so. However, owing to the enhanced security upgrade, which will be explained below, the current projected completion date for the capital master plan is approximately one year later than the schedule referred to in resolution 62/87.

# II. Progress since the previous annual report

## A. Design work

4. As of the date of the present report, design and construction documents have been completed for approximately 94 per cent of the work of the project across all buildings. The design work for the Dag Hammarskjöld Library and South Annex Buildings has not been completed, for the reasons explained below.

5. All the design work for the Conference Building, the Secretariat Building and the complex infrastructure in the basements is complete. The design for the relocation of the loading dock at the 48th Street entrance to the service drive, and the related relocation of the vehicle entrance to 42nd Street, is under way.

6. Design work continues for the General Assembly Building, the renovation of which is projected to commence in the first quarter of 2013.

7. During the past year, continued efforts were made to control costs through careful design choices. An agreement has been reached with the Department of Peacekeeping Operations, the Department of Field Support and the Department of Safety and Security to co-locate their existing crisis operations and Situation Centre

facilities onto the seventh floor of the Secretariat Building and to combine them into a new communications centre. The layout of the seventh floor of the Secretariat Building is being designed with flexibility to incorporate the requirements of the United Nations Operations and Crisis Centre.

8. In response to heightened security concerns and in consultation with the Department of Safety and Security, detailed blast studies were conducted in 2010. These studies resulted in an agreement whereby, subsequent to the issuance of the previous report, the host country provided additional funding for an enhanced security upgrade of the Conference Building and the installation of a line of protection along the western perimeter of the Headquarters (First Avenue).

9. Site and landscape design continues, with the objective of completing related site work upon the completion of each adjacent building.

10. The innovative design features highlighted in previous reports remain incorporated in the project. They include open offices which increase collegiality and functionality and reduce energy consumption; a modular planning grid to make office reconfigurations easier; consolidated office conference floors; energy-conserving underfloor cooling in the Council Chambers and energy-efficient lighting throughout the campus; the relocation of the loading dock function to the north end of the site, to improve security; a relocated car entrance and exit at 42nd Street, which will improve traffic flow for cars and reduce certain blast risks; a consolidated data centre in the existing underground space; an updated central conference engineering/broadcast facility; rooms for nursing mothers; centralized storage; high-efficiency chillers; light-responsive blinds; and pantries and small meeting rooms adjacent to all office space.

11. Two new mid-sized conference rooms, providing greater flexibility than the current rooms, and a new multi-purpose meeting room are included in the capital master plan scope.

12. All the exterior glazed surfaces of the Secretariat, Conference and General Assembly Buildings, known as the "curtain wall", will be replaced and the installation of the curtain wall on the Secretariat Building is substantially completed. The design requirements for the curtain wall include features such as improved energy efficiency; improved blast resistance; clarity and durability of the glazing; and historic preservation considerations.

13. Since the issuance of the previous report, the "restacking" plan for the location of occupants of the Secretariat Building was finalized. Detailed plans for the reoccupation of the Secretariat Building by departments and offices are currently in production, with detailed reoccupancy plans for a majority of the floors having been completed and turned over to the construction manager for construction.

## B. Planning for relocations from swing space

14. In paragraph 18 of its resolution 65/269, the General Assembly requested the Secretary-General to ensure that the process of the relocation of Secretariat staff from office swing space was carried out in the most effective and timely manner, taking full advantage of the lessons learned during the capital master plan project, and requested him to prepare well in advance detailed office plans of the Secretariat Building in order to avoid delays and any potential additional costs. The Secretary-

General confirms that the planning process for the relocation of staff from swing space back to the Secretariat is well advanced, that the lessons learned from previous moves have been taken into consideration and that preparations are under way for the reoccupation of the Secretariat Building in the latter half of 2012.

15. The original capital master plan budget provided for the rental of office swing space until September 2012. In order to avoid the possibility that a delay in the completion of the capital master plan project could leave the Organization without rental space, the lease commitments went beyond the project schedule. The lease costs of the additional months, which vary in each rented building, might be mitigated if the rental market improves and the space can be sublet, or if landlords wish to lease the office space to other tenants at higher rent costs. Given the current project schedule, an additional provision for leases has now been added to the projected cost to complete the capital master plan, which will cover the "worst-case scenario".

## C. Progress on the renovation work

16. The renovation work on the Secretariat and Conference Buildings began in February and May 2010, respectively, and the work in the basements in May 2009. Significant progress has now been made on all three portions of the project and construction work continues.

17. Construction of a new electrical vault "A" located in the basements adjacent to the temporary North Lawn Building was completed in 2010. The Secretariat electrical vault "B" is projected to be fully operational by November 2011. After completion of those two electrical vaults, all high-voltage electrical equipment will be isolated and separated from occupied space.

18. The migration of the functions of the technology centre formerly located in the Secretariat Building was completed in 2010. The renovation of the third basement of the North Lawn Building for publishing functions was completed in 2010, and the space was occupied early in 2011. The construction of additional office space, special-purpose rooms and other space in the north end of the basements was undertaken during 2011 and they were occupied in June and July 2011.

19. The major infrastructure and basement space work has been undertaken in three phases, running from north to south. Phase 1 was completed in April 2009. Phase 2, construction and installation of new equipment relating to building infrastructure systems in multiple levels of the basements, was completed in 2011. Phase 3 of the basement space and building infrastructure systems work commenced in the summer of 2011.

20. The new electrical conduit installation requires the installation of 22.8 kilometres of electrical conduit in the basements and approximately 43 kilometres of new electrical wiring. Conduits, fibre and backbone cable for the new telecommunications installation are also being put in place. The installation of the new systems has been executed while much of the old systems is being maintained in operation for the General Assembly Building and the other portions of the compound still in use.

21. Since the issuance of the previous report, the removal and replacement of the glass curtain wall in the Secretariat Building was undertaken and is now

substantially complete. New glass curtain wall systems for the Conference Building have been designed, procured and are in fabrication for installation starting in the fall of 2011 and continuing for approximately one year.

22. Temporary security measures for use during the construction phases are in place, including temporary partitions, exterior walkways and barricades to safeguard all work areas.

### D. Audio-visual, broadcast and related campus-wide systems

23. The procurement of audio-visual and congress microphone systems for the renovated conference rooms is under way. In parallel, under associated costs, procurement of the central systems that coordinate, control and store audio and video data is under way, and the systems will be acquired in time for installation and integration into the renovated Conference Building, which is scheduled for completion late in 2012.

24. Six separate audio-visual and broadcast systems will be installed and integrated at Headquarters under the capital master plan. Of the six systems, with a total estimated cost of $70.2 million, four (estimated at $29.9 million in total) are budgeted for under the capital master plan and two (estimated at $40.3 million in total) are budgeted for under associated costs since they comprise highly specialized broadcast functions and equipment and are not of traditional construction. The capital master plan scope includes (a) the campus-wide audio-visual systems and related infrastructure, (b) the Congress-Microphone Simultaneous Interpretation system, (c) the campus-wide public address system and (d) the permanent rooftop antenna system. The systems accounted for under associated costs comprise (a) the Media Asset Management System, and (b) the Permanent Broadcast Facility. These are described in greater detail in addendum I to the present report.

25. The Office of Central Support Services is the technical authority within the Secretariat for all six systems and is responsible for coordinating requirements with the other departments and offices, identifying and communicating the coordinated requirements, and performing technical reviews of documents and vendors. The Office of Central Support Services is responsible for accepting the systems. The Office of the Capital Master Plan is responsible for administering the design and construction contracts through the construction manager and individual consultants, maintaining the schedule, preventing cost overruns, facilitating the design and integration of the systems by consultants, and managing assigned consultants.

## III. Advisory Board

26. In December 2009, as requested by the General Assembly, the Secretary-General appointed the members of the Advisory Board of the Capital Master Plan, consisting of one member from each of the five regional groups of the United Nations and chaired by a representative of the host country. The Advisory Board appointed by the Secretary-General consisted of representatives of Brazil (Jayme Zettel), India (K. T. Ravindran), Kenya (Susan Kibue), Poland (Stefan Kuryłowicz), Switzerland (Anna Torriani) and the United States of America (Kent Barwick).

27. In its resolution 65/269, the General Assembly requested the Secretary-General to provide information about the activities of the Advisory Board. As of the date of preparation of the present report, there have been four meetings of the Advisory Board, all at Headquarters:

(a) At the first meeting, on 17 and 18 May 2010, the members of the Board were briefed on the project and had an opportunity to observe and discuss the design/construction in progress.

(b) At the second meeting, on 13 and 14 September 2010, a project status update was given and presentations were made and discussions held on the donations programme, the curtain wall and the redesign of the loading dock.

(c) At the third meeting, on 3 and 4 March 2011, a project status update was given, and presentations were made and discussions held on the restacking plan, the Conference Building, the Secretariat Building and the works of art donated by Member States.

(d) At the fourth meeting, on 19 and 20 May 2011, a project status update was given, and presentations were made on security and public access, the revised layouts of the Secretariat floors, the new technologies relating to media asset management and broadcast services, and the management of the works of art of the United Nations. The feasibility study for the North Lawn was also briefly discussed because of the possible impacts on capital master plan planning.

(e) At the fifth meeting, from 14 to 16 September 2011, an overview of the capital master plan was provided and presentations were made on the interior design of the Secretariat Building floors and of the General Assembly and Conference Buildings; the donations programme; and the design, installation and occupancy of space in the basements.

28. In June 2011, the Secretary-General, the Secretariat, and the Members of the Advisory Board were saddened to learn of the death in an aircraft accident of Stefan Kuryłowicz, a talented Polish architect.

## IV. Donations

29. In its resolutions 57/292, 60/256 and 61/251, the General Assembly encouraged the Secretary-General to seek donations for the capital master plan.

30. A donations policy was developed and communicated to Member States on 5 January 2009. Subsequently, the General Assembly decided, in its resolution 63/270, not to endorse the donations policy and requested the Secretary-General to make new proposals in that regard that would allow all Member States, without distinction or conditions, to make donations in full conformity with the international and intergovernmental character of the Organization, as well as the Financial Regulations and Rules of the United Nations, and without prejudice to the scope, specifications and design of the project. Accordingly, the donations policy was amended to take into account the views of the General Assembly.

31. As at the time of preparation of the present report, a number of Member States have indicated interest in, and some have provided contributions to, the donations programme, including Austria, China, Denmark, the Netherlands, New Zealand, Norway, the Russian Federation, Spain, Sweden, Switzerland and Turkey.

Discussions are under way with other Member States regarding potential donations. Architects selected by interested Member States are collaborating with the Office of the Capital Master Plan to provide design input for a specific space, to be supported through the participating Member State's donation.

## V. Lessons learned and accountability

32. In paragraph 17 of its resolution 65/269, the General Assembly requested the Secretary-General to include in the present progress report information on lessons learned in the implementation of the capital master plan and how they are being utilized to improve the current and future planning and implementation of the capital master plan.

33. The refinement of the strategic plan for the conduct of the capital master plan should provide a structured framework to ensure accountability for delays. The establishment of the capital master plan project goals and objectives provided the foundation for accountability and control over project delivery and delays. Lessons learned from the swing space projects in 2008 and 2009 contributed to improvements in the management of the capital master plan in 2010. The following key lessons are continually being applied by the Office of the Capital Master Plan with respect to the construction phase of the project:

(a) Planning and tracking phase. Capital master plan project goals, objectives, expected outcomes, key stakeholders and sponsor(s) should be identified and documented in internal policy documents. Detailed project workplans, including specifications of activities, deliverables, milestones and the overall project schedule should be prepared and closely monitored. Accurate conceptual project cost estimates, with supporting data for each cost category (hard and soft costs) should be completed. Historical data for the estimated costs should be maintained and referenced and should include the cost of inflation and an appropriate contingency. Project close-out documents should be drawn up, including completion of as-builts, collection and archiving of up-to-date project records and identification of key Facilities Management Service equipment/infrastructure.

(b) Procurement phase. A detailed written programme and scope of work should be included in the solicitation documents provided to potential trade contractors. Service contracts for the maintenance of complex systems should be priced in the procurement process, and appropriate training should be provided for the Office of Central Support Services.

(c) Risk management planning phase. Identification, analysis and development of mitigation measures for the escalation of risks should be performed. The risk register should be reviewed monthly to assure that an adequate contingency is available for the major risks.

(d) Communication plan development. The status of the project should be reported on regularly to key stakeholders, including progress against the timeline and budget, and reporting on the current status of risk management and the management of key issues. Staff should be kept continuously informed of the status of the project and of events that might affect their work environment.

(e) Practices for cost control. A detailed project plan with all activities (tasks), milestones, dates and estimated hours by task should be loaded into the project management software. Sub-project estimates should be developed and

tracked. Conceptual costs should be recorded and regularly tracked and compared to budgeted costs. Cost control should be maintained and reported on to senior management.

(f) System engineering phase. The Office of the Capital Master Plan should seek user involvement throughout the project, especially during the requirements specification and testing phases. The capital master plan engineering standards should be transmitted to the design teams. Design team activities should include interface engineering with existing infrastructure systems and security systems. Architectural design guidelines should be updated to reflect experience with completed portions of the project and shared among all the design teams.

## VI. Relations with the host country

34. As reported in the previous progress reports, in January 2008, the United Nations reached an understanding with the authorities of the host country concerning the process by which the United Nations would seek to voluntarily apply host city building, fire and safety codes without prejudice to the privileges and immunities of the United Nations.

35. During the period covered by the present report, the United Nations and the host country continued a constructive dialogue on matters pertaining to the capital master plan, and the host city provided assistance and support with respect to the process of reviewing the Organization's construction documents, in accordance with the January 2008 understanding. Coordination and dialogue with city authorities have been productive and the relationship between the Organization and the host city continues to be strong.

36. A subject of particular discussion has been the respective expectations of the host country and the Department of Safety and Security in reference to the capital master plan construction scope regarding the perimeter security and how it can be strengthened. Discussions with the host country are continuing.

## VII. Security

37. As authorized by the General Assembly, the capital master plan will include a number of upgrades designed to improve the security of the Headquarters and the safety of delegates, staff and visitors who work at or visit the premises. For example, the design of the glass curtain wall has been strengthened to reduce the potential harm to building occupants in the event of an explosive blast.

38. In addition to those initiatives, and in the context of host country responsibilities, the Office of the Capital Master Plan, in consultation with the Department of Safety and Security, undertook studies during 2010 to examine the effect on the United Nations facilities of potential vehicle-borne explosive devices on the roadways outside and adjacent to the Headquarters.

39. Since the issuance of the previous report, the host country provided funding for enhanced security upgrades to the Conference Building, which have been incorporated in the capital master plan design and for which construction is under way. In addition, the host country provided funding to erect a line of protection along the western perimeter of the Headquarters to reduce the vulnerability of the buildings facing First Avenue. That work is currently at the design stage.

40. Discussions continue with the host country concerning the protection requirements for the structures on the southern perimeter of the Headquarters, namely the Dag Hammarskjöld Library Building and the South Annex Building (the cafeteria). As stated in the eighth annual progress report, studies have been undertaken into the level of protection that can be provided for those buildings. Concerns about constructability for resilience to blast threats from vehicles on the off-ramp from the Franklin Delano Roosevelt (FDR) Drive have resulted in the design work on the Library and South Annex Buildings being temporarily suspended pending resolution of the security issue.

41. The removal of the FDR Drive off-ramp remains an unresolved issue with the host city. Discussions continue with the appropriate host city authorities. The options available regarding the future of the Library and South Annex Buildings are as follows:

(a) *To move the off-ramp.* This would be a costly undertaking, but may become feasible in the context of the possible construction of an office tower by the United Nations Development Corporation, for use by the United Nations.

(b) *To close the off-ramp.* This would have a major impact on the flow of traffic into midtown Manhattan.

(c) *To close the Library and South Annex Buildings, once the capital master plan is completed, until the security issue is resolved.* This would have multiple cost and operational impacts and the functions concerned would need a short-term location.

(d) *To assume that no solution will be found and to demolish the buildings.* This would not only require a long-term new location for the functions concerned, but would also be a symbolic and historic loss to the United Nations.

42. The matter remains under discussion between the United Nations and the host country. The scope and cost implications of the options will be prepared and submitted to the General Assembly for approval.

43. In paragraph 41 of its resolution 65/269, the General Assembly requested the Secretary-General to provide comprehensive information on the implementation of the security enhancements. The security enhancements at the eastern perimeter have been incorporated in revised design documents for the Conference Building. Those security enhancements were developed in several coordinated packages, including structural redesign for the affected portions of the building structure, demolition, related work in the United Nations structures located at the FDR Drive level and revised architectural designs. The demolition and structural work in the Conference Building specifically required for the enhanced security upgrades began in mid-2011. The related protection work on the United Nations structures at the FDR Drive began in October 2011. The conceptual design for the security enhancements on the western perimeter will be completed in 2011, including an analysis of critical sub-surface conditions. The process of coordinating with the various local authorities is complex, but the goal is to complete the design process for the security enhancements to the western perimeter in 2012, with bidding and construction in 2013 and 2014, respectively.

# VIII. Cost efficiency measures

## A. Value engineering

44. Value engineering is the process of trying to control costs through finding different ways of accomplishing the same design intent in a less expensive way, typically through simplifying construction, using a more readily available product or eliminating unnecessary elements. It is a design and construction culture of continuously questioning all designs and purchases to confirm if a less expensive route is available. Value engineering was initiated as soon as the General Assembly approved the accelerated strategy IV in December 2007 and has been continued at each stage of work. The capital master plan has successfully identified well over $100 million in items that could be modified without a loss of functionality or quality. As a consequence of value engineering and competitive market prices, the Office of the Capital Master Plan achieved a lower contract cost than that projected, a result referred to as "buyout savings".

45. The continued application of value engineering discipline throughout the past few years has generated design concepts that have allowed the Secretariat to keep the estimated cost to complete the project within a reasonable range. Cost-control efforts have also centred on promoting competition among qualified bidders and on ensuring that the bidders understand clearly the scope of the work. They have also involved seeking advice from the bidders, even during the final selection process, to find less expensive approaches to achieve the design intent. In previous reports many examples have been provided of value engineering decisions that have saved the project significant costs. Those examples are generally "savings as compared to estimates", which are useful for technical engineers to evaluate, and not comparisons of competing detailed designs. More detailed analyses of actual designs that were not selected would be expensive, time-consuming and not productive.

46. In addition to savings attributable to value engineering, the current economic climate relating to the construction industry throughout much of the world has afforded the Organization opportunities to secure contracts at very competitive levels, to the advantage of the Organization.

## B. Furniture

47. In the process of updating the furniture planning and in accordance with the approved associated costs budget for furniture, opportunities for reuse are being implemented. In the basements, both office systems furniture and loose furniture have been cleaned and reused. The planning for the lounges and open areas of the Conference Building provides for the repair and reuse of furniture (some of which is original to the space and of high quality), except when the space is the subject of donations. In enclosed office areas of the Conference and General Assembly Buildings, office systems furniture and loose furniture will be reused. The planning for the Secretariat Building continues to provide for the reuse of loose furniture such as desks and chairs in offices of senior staff. File storage furniture reuse is planned for areas throughout the complex where it is physically possible, estimated at approximately 50 per cent of the total storage requirement. Task chairs will be reused in approximately 80 per cent of all open workspaces. For seating in conference rooms 1, 2 and 3 of the Conference Building and conference rooms 5, 6,

7 and 8 of the General Assembly Building, competitive bids are being taken for both new seating and for the repair of seating, and will be decided upon the basis of cost-effectiveness.

48. An update on the status of furniture-related expenditure, reforecast expenditure for 2011 and estimated resource requirements for 2012 are presented in the addendum to the present report.

# IX. Other considerations

## A. Procurement

49. In recognition of previous resolutions of the General Assembly concerning the capital master plan, the Secretariat continues to work (including working closely with the construction manager) to ensure that all procurement opportunities are communicated as widely as possible, with special emphasis on communicating them to developing countries and countries with economies in transition. Notwithstanding the significant portion of construction procurement carried out to date, the Procurement Division continues to work to communicate procurement opportunities on as wide a basis as possible and anticipates continuing to do so for the remainder of the project schedule.

50. During the reporting period, activity to extend procurement opportunities included review of requests for expression of interest issued by the construction manager, contributions to procurement seminars, both overseas and in New York, the briefing of representatives of trade organizations and overseas missions and responding to initial contacts and enquiries from potential suppliers in order to ensure that appropriate advice is given with regard to current procurement opportunities and the mandatory requirement for suppliers to register as vendors to the United Nations on the United Nations Global Marketplace website. Procurement seminars held during the reporting period in developing countries and countries with economies in transition have resulted in a number of enquiries from vendors. In response to those enquiries, the Procurement Division has promptly provided all current information, relevant contact details and assistance with vendor registration. The Procurement Division seeks updates from the construction manager on a regular basis regarding the continued implementation of the Skanska outreach plan, bulk purchase and standardization activity and country-of-origin reporting. Of particular note during the reporting period has been the extent to which procurement opportunities for the supply of office and specialist furniture have been communicated. That process has generated interest from companies from a number of countries, including developing countries and countries with economies in transition, and procurement actions will be finalized by the end of 2011.

51. During the next reporting period, the Procurement Division anticipates that particular emphasis will be placed on working closely with the construction manager on country-of-origin reporting for all construction works.

52. In accordance with earlier General Assembly requests to the Secretary-General, the Secretariat continues to carry out all other secondary procurement oversight activity as set out in the seventh annual progress report (A/64/346) to ensure that procurement processes are conducted in a transparent manner. That activity continues to include review of proposed subcontractor bid lists, review of tender documentation, attendance at bid opening and levelling meetings and review

of recommendations for awards to subcontractors. Such oversight activity is consistent with the requirements of article 5 of the general conditions of contract.

53. All contract awards for the capital master plan are posted on the Procurement Division's website. A list of all awards to subcontractors is available on the website of the capital master plan.

54. During the reporting period, the Procurement Division has negotiated further construction management agreements for major subproject works, including the agreements for vertical transportation, for the building management system and for campus-wide security. The results of such negotiations remain subject to appropriate approvals by the Headquarters Committee on Contracts and the Assistant Secretary-General for Central Support Services.

55. The Procurement Division continues to review change orders submitted by the construction manager for formalization as contract amendments. The Procurement Division attends, on a regular basis, meetings of the Post-award Review Committee where amendments issued under the Procurement Division's special delegation of authority are reviewed. Such reviews include amendments to the contracts of the construction manager, the design team, other specialist consultants and support services.

56. The Procurement Division continues to respond on a regular basis to lease administration issues. Key activity planned by the Procurement Division during the next reporting period includes initial contract awards for furniture and construction management agreements for the refurbishment of the Conference Building and the final phases of works to basement infrastructure.

57. To date, 15 per cent of the value of trade contracts awarded by the capital master plan construction manager to subcontractors has gone to non-United States firms.

## B. Health and safety

58. Improving the safety of occupants and visitors and providing a healthy work environment at United Nations Headquarters continues to be a major objective of the capital master plan. One of the most important steps in this regard is the removal of all asbestos-containing materials from the Headquarters complex.

59. Throughout implementation of the capital master plan, asbestos abatement contractors working under the construction manager as subcontractors have been performing the work required for the abatement of asbestos-containing materials in accordance with international and host country regulations. Asbestos will be abated in all locations at Headquarters throughout the duration of the project.

60. The work will continue to be monitored by an independent asbestos abatement consultant who reports to the capital master plan. The consultant does not serve as a subcontractor to the construction manager. Staff who will remain on site in building segments isolated from the work areas have been briefed about the procedures and safety precautions relating to asbestos abatement.

61. As required by the capital master plan, the construction manager, working in cooperation with the Department of Safety and Security, developed and implemented a safety and security plan for the construction site. The plan contains all relevant regulations established by the host country's Occupational Safety and Health Administration. The safety and security plan has been effective in

maintaining safe working conditions, and no out-of-compliance reports against the construction manager have been reported.

62. Judged against industry averages as compiled by the United States Bureau of Labor Statistics, the capital master plan remains one of the safest projects under way in the host country, with the project's lost-time injury rate being less than one third of the industry average. To date, there have been only a few minor lost-time work-related injuries to construction workers on the project after over 3 million person-hours of work.

## C. Parking

63. It was reported in the previous annual progress reports (A/63/477, A/64/346 and A/65/511) that, in order to improve security at the Headquarters complex, changes to the garage would be required. As a result, approximately 350 parking spaces would be permanently eliminated, in part owing to the required relocation of utilities throughout the lower levels as well as the need to eliminate parking under portions of the General Assembly Building.

64. Renovation work in the basements affects all the parking areas. Efforts are being made to carefully phase the reduction of available parking space to minimize any adverse impact on garage users. All construction and repair projects in the garage are being implemented in such a manner as to ensure that the number of parking spaces affected at any given moment does not exceed 350, to the extent possible without jeopardizing the overall schedule of the capital master plan project. Occasionally, additional short-term impacts might occur, but every effort has been made to ensure that the number of spaces made available for Member States is not reduced during the construction work of the capital master plan.

65. To decrease the demand for parking spaces, the Office of Central Support Services has taken several steps, including reducing temporary parking permits by 40 per cent, discontinuing daily permits and suspending the issuance of new parking medallions to staff. United Nations staff members have also been encouraged to surrender parking medallions and to carpool to the extent possible. In the long term and over the duration of the capital master plan project, the required reduction in garage users will be achieved through attrition, as current permit holders retire or leave the Organization and surrender their permits.

66. As noted in the previous progress reports, the use of the United Nations garage will be limited to official activities to facilitate the conduct of the Organization's daily business during construction. The understanding and cooperation of all permit holders in reducing their use of the garage will continue to be required as the project progresses.

67. In accordance with section I, paragraph 33, of General Assembly resolution 63/270, the total number of parking spaces made available to Member States has been maintained at the same level as before the implementation of the capital master plan. The current schedule of the capital master plan assures that that number will be maintained during the rest of and at the end of the project.

## D. Sustainability

68. As indicated in previous reports, the project is on track to meet or exceed sustainability goals for energy and water consumption. Energy consumption will be reduced by at least 50 per cent as compared with existing usage, greenhouse gas emissions will be reduced by at least 45 per cent and potable water consumption will be reduced by at least 40 per cent.

69. The project is also on track to meet or exceed the numerous applicable "green building rating" standards used in various Member States.

70. Construction debris continues to be reused or recycled, thereby diverting waste from landfills at a rate in excess of original projections. Since construction commenced, the project's construction manager has removed over 62,000 cubic yards of material from the site, 95 per cent of which has been recycled and diverted from landfills; 98 per cent of the glass, steel and aluminium material from the original Secretariat Building curtain wall has been recycled.

71. Construction activities directly related to energy efficiency, such as those concerning the curtain wall and the chiller plant, are discussed in section II.C above. In addition, construction of the building management system, which will provide "smart" controls, is also well under way. Those controls will greatly enhance building performance through automatic adjustments to heating, air-conditioning and lighting levels.

72. The design of a rainwater harvesting demonstration project has been completed. Rainwater will be collected from the Conference Building roof, stored in collection tanks in the basements, then treated and recycled for use in flushing toilets and urinals in the General Assembly Building. As a result of the implementation of many water-use reduction strategies, potable water consumption will be reduced by at least 50 per cent in the General Assembly Building. The Office of the Capital Master Plan continues to pursue the inclusion of an expanded photovoltaic panels project.

## E. Accessibility

73. In its resolution 65/269, the General Assembly requested the Secretary-General to continue providing specific information about the measures taken to eliminate physical, communication and technical barriers to persons with disabilities at United Nations Headquarters within the framework of the capital master plan. Since the submission of the previous report, the issues noted in the Conference Building design have been taken into account in the General Assembly Building design. The design of alterations to improve physical accessibility was incorporated by the capital master plan professional design firms, in accordance with applicable codes and standards, in the construction documents.

74. In summary, the major areas where improvements are being implemented are:

(a) Entrances, including power-assisted doors at all major entrances;

(b) Horizontal circulation within the building, whereby doors will have proper adjacent spacing, width and pressure;

(c) Vertical transportation, with all elevators wheelchair accessible and controls situated at appropriate heights;

(d) An appropriate number of fully accessible toilet facilities;

(e) Life safety systems, including speakers/strobes;

(f) Signage at required minimum sizes and colour contrast, as well as Braille signage for all information on permanent display;

(g) Enhanced support for T-switch-equipped assisted-listening devices, which enable direct transmission to assisted-hearing devices, will be implemented to the extent technically feasible;

(h) Podiums in all conference rooms will be lowered to approximately two steps above the main floor and will be provided with ramps;

(i) Accessible seating will be provided at each area in all conference rooms.

75. In addition, interpretation booths will be configured to meet accessibility requirements in terms of spacing at doors, signage and handrails. Wheelchair access will be made available to 19 of a total of 60 interpretation booths in the Conference Building, thus providing a high proportion of fully accessible interpretation seats. Provision for a similar proportion for the General Assembly Building is being finalized.

76. Care has been taken to ensure that the application of building, fire and safety codes of the host city do not violate the provisions of the Convention on the Rights of Persons with Disabilities, especially those relating to accessibility. All building, fire and safety code reviews include accessibility as an integral part of the review process.

## X. Schedule

77. The most complex and high-risk phase of the capital master plan has been the four years of coordinated work to renovate the Secretariat Building. The reoccupancy of the Secretariat necessitated several prior steps: (a) the leasing and fitting out of appropriate office space for several thousand staff and of appropriate space for required functions; (b) the construction of the temporary North Lawn Building to accommodate the conference and General Assembly functions, the Office of the Secretary-General, the Office of the President of the General Assembly and the offices of other senior officials; and (c) the renovation of the basement infrastructure to provide heating, ventilation and air conditioning, telephone, data, security and other essential services for the buildings above ground.

78. As at October 2011, the projected date of completion of this critical portion of the project is within three months of the schedule as set out in the Secretary-General's sixth annual progress report (A/63/477). The schedule in table 1 indicates that the overall project, with the exception of the Library and South Annex Buildings, is projected to be completed approximately one year behind the original schedule as set out in the Secretary-General's sixth annual progress report.

Table 1
**Schedule of the capital master plan**

| | *Projection as set out in A/63/477* | | *Projection as set out in A/64/346* | | *Projection as set out in A/65/511* | | *Current projection* | | *Comments (as compared to projections contained in A/65/511)* |
|---|---|---|---|---|---|---|---|---|---|
| *Activity* | *Start* | *Complete* | *Start* | *Complete* | *Start* | *Complete* | *Start* | *Complete* | |
| Construction of North Lawn Building | Early 2008 | Mid-2009 | Mid-2008 | Late 2009 | Mid-2008 | Late 2009 | Mid-2008 | Late 2009 | Completed |
| Secretariat Building | Early 2009 | Early 2012 | Late 2009 | Mid-2012 | Early 2010 | Mid-2012 | Early 2010 | Mid-2012 | On schedule |
| Conference Building | Mid-2009 | Mid-2011 | Late 2009 | Late 2011 | Early 2010 | Early 2012 | Early 2010 | Late 2012 | Delayed owing to enhanced security upgrades |
| General Assembly Building | Mid-2011 | Mid-2013 | Late 2011 | Late 2013 | Early 2012 | Late 2013 | Early 2013 | Mid-2014 | Delayed owing to enhanced security upgrades |
| South Annex Building | Early 2011 | Early 2012 | Late 2011 | Early 2013 | Early 2012 | Mid-2013 | — | — | Temporarily suspended pending resolution of the security issue |
| Library Building | Early 2012 | Early 2013 | Early 2013 | Late 2013 | Early 2012 | Late 2013 | — | — | Temporarily suspended pending resolution of the security issue |
| Site landscaping | Mid-2009 | Mid-2013 | Mid-2011 | Late 2013 | Mid-2011 | Mid-2013 | Mid-2011 | Mid-2014 | End of site landscaping follows completion of work on General Assembly Building |
| Renovation of United Nations Headquarters | Early 2008 | Mid-2013 | Late 2008 | Late 2013 | Mid-2008 | Late 2013 | Mid-2008 | Mid-2014 | |

# XI. Status of assessments and sources of funding for the capital master plan

79. By paragraph 14 of its resolution 61/251, the General Assembly decided to establish two different options for the assessment and payment of costs by Member States for the capital master plan.

80. As at 30 September 2011, 12 Member States had selected the one-time payment option and 180 Member States had selected the equal multi-year assessment for each year of a five-year period, in accordance with General Assembly resolution 61/251. Member States have been assessed for the total amount approved by the General Assembly for the implementation of the capital master plan project.

81. The primary source of funding for the capital master plan consists of appropriations by the General Assembly in the amount of $1,876.7 million. The breakdown of that amount is shown in table 2. The secondary source of funding consists of voluntary contributions in the amount of up to $110.5 million, the breakdown of which is given in table 3.

Table 2
**Breakdown of total appropriations for the capital master plan**
(Millions of United States dollars)

| | *Commitment authority* | *Appropriation* | *Description* |
|---|---|---|---|
| 2004-2005 | 26 | 25.5 | Resolution 57/292 — Development phase/preparation construction documents |
| 2006 | -17.8 | +17.8 | Resolution 59/295 — Conversion into appropriation an renewal of commitment authority balance of $8.2 milli |
| **Subtotal** | **8.2** | **43.3** | |
| 2006 | -8.2 | +8.2 | Resolution 60/248 — Conversion of commitment authority balance of $8.2 million into appropriation |
| **Subtotal** | **—** | **51.5** | |
| 2006-2007 | +77 | +23.5 | Resolution 60/256 — Appropriation for financing design and pre-construction phases, including swing space requirements. Commitment authority for construction, fit-out and related requirements of conference swing space building on the North Lawn a for leasing, design pre-construction services, fit-out a related requirements of library and office swing space |
| **Subtotal** | **77** | **75** | |
| 2006 | -77 | +77 | Resolution 60/282 — Conversion of commitment authority into appropriation, which was assessed in 20 |
| **Subtotal** | **—** | **152** | |

| | *Commitment authority* | *Appropriation* | *Description* |
|---|---|---|---|
| 2007 | — | +42 | Resolution 61/251 — Appropriation for design and pre-construction phases including swing-space requirements |
| **Subtotal** | — | **194** | |
| 2008-2009 | — | +992.8 | Resolution 62/87 — Appropriation |
| **Subtotal** | — | **1 186.8** | |
| 2010-2011 | — | +689.9 | Resolution 64/228 — Appropriation |
| **Total appropriations** | | **1 876.7** | |

Table 3
**Breakdown of voluntary contributions for the capital master plan**
(Millions of United States dollars)

| *Voluntary contributions* | *Amount* |
|---|---|
| China | 1.0 |
| Denmark | 3.0 |
| Netherlands | Up to 3.0 |
| Norway | 0.2 |
| Russia | 2.0 |
| Turkey | 1.3 |
| United States of America | Up to 100.0 |
| **Estimated total** | **Up to 110.5** |

82. In addition, the interest accrued on the balance of capital master plan funds as at 1 October 2011 totals $104.1 million. The working capital reserve totals $45.0 million.

83. As at 1 October 2011, the amount of $89.8 million in assessments remains unpaid to the capital master plan for 2011 and prior periods. As at 1 October 2011, voluntary contributions in the amount of up to $6.0 million remain outstanding.

## XII. The financial status of the capital master plan

84. The budget of the capital master plan was established at $1,876.7 million by the General Assembly in its resolution 61/251, based upon the projected cost of a phased renovation at that time. Owing to many factors, including the rejection of the UNDC-5 project by the host country and the subsequent need to develop a new strategy for the execution of the work, delays were experienced in implementing the project in 2006 and 2007, and the effects of inflation caused the projected cost of the capital master plan to increase to $2,096.3 million, creating a projected budget deficit of $219.6 million. The approval of the accelerated strategy IV in December

2007 reduced the projected cost to $2,066.8 million, with a reduced projected budget deficit of $190.1 million.

85. Careful management of the project since the groundbreaking in 2008, and the incorporation of value-engineering initiatives in the design of the project, as well as the implementation of many efficiency measures, lowered the projected net cost of the capital master plan to $1,951.0 million, reducing the net budget deficit to $74.3 million by the end of May 2011, down by $5.8 million from the deficit of $80.1 million as at September 2010 previously reported to the General Assembly.

86. At the time of preparation of the present report, 84.5 per cent ($1,586.2 million) of the capital master plan had been committed against the original budget of $1,876.7 million. This high level of funds committed significantly reduces the risk of unexpected, adverse events during the remainder of the project. Table 4 presents the latest cost estimates of the capital master plan project as at 31 May 2011, compared to the project costs reported to the General Assembly at its sixty-fifth session. Table 4 incorporates the impact of (a) projected costs and the related funding for enhanced security upgrades and (b) voluntary contributions.

Table 4
**Projected costs of the capital master plan (excluding associated costs and the costs of the secondary data centre)**
(Thousands of United States dollars)

| | *Accelerated strategy* | |
|---|---|---|
| | *As at September 2010* | *As at May 2011* |
| **Renovation** | | |
| Construction | 1 016 920 | 1 016 920 |
| Use of construction contingency | — | 41 794 |
| Professional fees, management costs | 316 549 | 326 994 |
| **Subtotal** | **1 333 469** | **1 385 708** |
| **Swing space estimate** | | |
| Office swing space | 267 924 | 267 924 |
| Use of office swing space contingency | — | 24 648 |
| Library swing space | 2 714 | 2 714 |
| Conference swing space | 150 475 | 150 475 |
| Use of conference swing space contingency | — | 41 368 |
| **Subtotal** | **421 113** | **487 129** |
| **Contingency[a]/escalation** | 202 209 | 89 084 |
| **Total** | **1 956 791** | **1 961 921** |

| | *Accelerated strategy* | |
|---|---|---|
| | *As at September 2010* | *As at May 2011* |
| *Add* | | |
| **Enhanced security upgrades** | | |
| Construction | — | 82 185 |
| Professional fees, management costs | — | 10 713 |
| Contingency | — | 6 659 |
| **Total** | — | **99 557** |
| **Total, including emergency security upgrades** | **1 956 791** | **2 061 478** |
| Less | | |
| Voluntary contributions | | Up to 10 500 |
| Voluntary contribution for the enhanced security measures | | Up to 100 000 |
| **Total** | **1 956 791** | **1 950 978** |
| **Budget approved by the General Assembly** | **1 876 700** | **1 876 700** |
| **Variance against approved budget** | **80 091** | **74 278** |

[a] Remaining contingency.

### Further resource requirements

87. The original capital master plan budget provided for office swing space rent until September 2012. In order to avoid the possibility that a delay in implementing the capital master plan could leave the Organization without rental space, the executed leases were committed beyond the project schedule. The lease costs for the additional months, which vary in each rented building, might be mitigated if the rental market improves and the space can be sublet, or landlords wish to lease the office space to other tenants at higher rents. At the present time, given the current project schedule, the additional provision for leases in the amount of $42.6 million is added to the capital master plan budget, which will cover the "worst-case scenario".

88. In addition to the potential lease costs, the associated costs to the capital master plan and the costs relating to a secondary data centre in the total estimated amount of $167.5 million have been included in the capital master plan budget, as directed by the General Assembly (see table 5).

89. The total resource requirements of the capital master plan in the amount of $2,161 million will increase the estimated consolidated capital master plan shortfall to $284.3 million. The adjusted budget deficit is equivalent to approximately 15.2 per cent of the original capital master plan budget of $1,876.7 million.

Table 5
**Adjusted consolidated resource requirements of the capital master plan (with associated and secondary data centre costs)**
(Thousands of United States dollars)

| | *Accelerated strategy* | |
|---|---|---|
| | *As at September 2010* | *As at May 2011* |
| Projected direct costs of the capital master plan | 1 956 791 | 1 950 978 |
| Provision for office space rent from October 2012 | — | 42 550 |
| Associated costs | 162 485 | 146 806 |
| Construction of the secondary data centre | 20 970 | 16 300 |
| Maintenance and lease with respect to the secondary data centre in 2010 and 2011 | — | 4 400 |
| **Total** | **2 140 246** | **2 161 034** |
| Budget approved by the General Assembly | 1 876 700 | 1 876 700 |
| **Variance against approved budget** | **263 546** | **284 334** |

90. The following is an explanation of the budget items (as at May 2011):

(a) *Construction*. The construction costs included in the total as at May 2011 in table 5 above reflect all signed guaranteed maximum price proposals as well as associated savings due to current market conditions and continuing value engineering efforts. Those costs also include actual contingency utilized against each guaranteed maximum price proposal.

(b) *Professional fees and management costs*. The overall percentage of design fees in the construction budget stood at 9.3 per cent as at May 2011. The industry average is between 8 and 10 per cent. Accordingly, the design fees are within the appropriate range. The management costs are established at a fixed rate of contract value completed and represent linear relation with respect to the overall capital master plan expenditure.

(c) *Contingency*. The remaining contingency indicated in table 4 above comprises the following: (a) the remaining unspent balance of the 10 per cent contingency allocated for guaranteed maximum price proposals which are signed but not yet completed and (b) a figure representing 15 per cent of the estimated cost of those guaranteed maximum price proposals which are not yet signed. The 15 per cent component includes a provision for future escalation, as recommended by the Board of Auditors. The methodology for calculating the contingency has been modified since the submission of the previous progress report in order to reflect the progression of the project.

91. The Office of the Capital Master Plan continues to be hopeful that, with prudent management of programme changes and refinements, ongoing value engineering and continuous implementation of cost efficiency measures, it will be able to complete the original capital master plan scope close to budget. Intensive and continuing efforts are being made to further reduce the projected deficit. The adjusted budget reflects that the capital master plan costs continue to be kept very close to the original budget and the deficit is being reduced each year. The yearly progression is shown in table 6 below.

Table 6
**Progression of the direct projected costs of the capital master plan**
(Millions of United States dollars)

| | *Approved strategy IV* | *Accelerated strategy IV* | *Accelerated strategy* | | | |
|---|---|---|---|---|---|---|
| | *As at August 2007* | *As at January 2008* | *As at September 2008* | *As at September 2009* | *As at September 2010* | *As at 31 May 2011* |
| | *As set out in A/62/364, table 1* | *As set out in A/62/364, table 1* | *As set out in A/63/477, table 1* | *As set out in A/64/346, table 2* | *As set out in A/65/511, table 2 B* | *Net of the provision for office swing space from October 2012* |
| Projected cost to complete | 2 096.3 | 2 066.8 | 1 974.2 | 1 968.1 | 1 956.8 | 1 951.0[a] |
| Approved budget (resolution 61/251) | 1 876.7 | 1 876.7 | 1 876.7 | 1 876.7 | 1 876.7 | 1 876.7 |
| Variance against approved/ consolidated budget | 219.6 | 190.1 | 97.5 | 91.4 | 80.1 | 74.3 |

[a] Taking into account (i) the enhanced security upgrade and (ii) voluntary contributions.

92. Actual expenditure for the project as at 1 October 2011 amounts to $1,586.2 million. The capital master plan requirements for the rest of 2011 total $70.9 million. As such, the estimated projected expenditure from 2003 to 31 December 2011 totals $1,657.1 million. Actual expenditure for the period 2003-2011 by category is detailed in table 7.

Table 7
**Capital master plan expenditure for the period 2003-2011**
(Thousands of United States dollars)

| | *2003* | *2004* | *2005* | *2006* | *2007* | *2008* | *2009* | *2010* | *Actual expenditure in 2011 as at 1 October 2011* | *Remaining projected expenditure in 2011* | *Total* |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Contractual design services | 612.10 | 9 573.90 | 2 724.10 | 22 426.90 | 13 324.80 | 43 202.30 | 19 044.60 | 17 233.70 | 15 303.70 | 2 424.80 | 145 870.90 |
| Direct staff costs | 1 611.10 | 1 720.90 | 1 458.30 | 1 569.40 | 2 338.90 | 2 737.90 | 3 229.70 | 3 254.20 | 2 486.70 | 1 555.00 | 21 962.10 |
| Support costs | 180.60 | 574.20 | 593.40 | 587.10 | 958.10 | 1 409.50 | 1 924.40 | 1 923.60 | 1 178.80 | 6 667.40 | 15 997.10 |
| Operating and other costs | 556.00 | 589.30 | 478.10 | 570.00 | 751.10 | 3 705.50 | 693.40 | 5 238.10 | 891.70 | 133.40 | 13 606.60 |
| Programme management and other consultants | 245.70 | 2 378.50 | 752.90 | 4 524.80 | 4 117.40 | 20 208.50 | -2 049.80 | 3 793.50 | 8 767.40 | 936.00 | 43 674.90 |
| Construction and pre-construction costs | — | — | — | — | 7 022.00 | 25 265.90 | 337 150.90 | 270 886.00 | 249 106.40 | 57 174.70 | 946 605.90 |
| Swing space costs | — | — | 506.30 | 6 848.00 | 17 881.20 | 133 081.50 | 223 847.40 | 103 664.00 | 4 653.40 | 2 014.20 | 492 496.00 |
| **Subtotal** | **3 205.50** | **14 836.80** | **6 513.10** | **36 526.20** | **46 393.50** | **229 611.10** | **583 840.60** | **405 993.10** | **282 388.10** | **70 905.50** | **1 680 213.50** |
| Savings on prior-period obligations | — | — | 12.80 | — | 1 522.10 | — | 3 492.60 | 7 062.00 | 10 984.20 | — | 23 073.70 |
| **Total** | **3 205.50** | **14 836.80** | **6 500.30** | **36 526.20** | **44 871.40** | **229 611.10** | **580 348.00** | **398 931.10** | **271 403.90** | **70 905.50** | **1 657 139.80** |

93. In compliance with General Assembly resolutions 61/251 and 65/269, the Office of the Capital Master Plan intensified its efforts to achieve economies of scale without undermining the implementation of the original project scope under the accelerated strategy. The budget forecasting and planning assumptions used to determine the possible final capital master plan budget include a set of factors which have significantly changed over the duration of the project. In developing the forecast cost of the project the following reviews have been undertaken:

(a) A full review of all commitments to date. This includes accounting for all buyout savings achieved during the trade selection process after the signing of guaranteed maximum price proposals and including all agreed additional change order and scope reallocation costs.

(b) A full review of all potential commitments for items for which proposals have been presented but not yet agreed to. This includes reviewing the proposals against budgets included in the forward projections and reviewing the proposals in the light of current market conditions.

(c) A full review of all forward projection items for which proposals have not been received. For these items, estimates are produced and constantly reviewed with the design teams and internally to determine that they are in line with the latest expectations regarding scope and with the budget. These estimates are constantly reviewed throughout the scoping process.

(d) A full review of the remaining contingency balances to determine the use of contingency and how the remaining contingency balances align with the remaining scope of work to be obligated.

# XIII. Associated costs and the secondary data centre

## A. Associated costs

94. In paragraph 54 of its resolution 65/269, the General Assembly reiterated its decision that the approved associated costs would be financed from within the budget approved for the capital master plan, and, in paragraph 56 of that resolution, the Assembly requested the Secretary-General to exhaust all possible options for absorbing the associated costs from within the overall budget approved for the capital master plan, including through cost efficiency measures, in order to avoid any additional financial burden on Member States, and to report thereon in the present report. In compliance with that request of the Assembly, the Secretariat has introduced and is implementing the cost efficiency measures which are discussed in section VIII above.

95. The provisional associated cost expenditure as at June 2011 totals $37.6 million, inclusive of pre-encumbrances in the amount of $31.3 million. The projected associated cost requirements for the period July-December 2011 total $26.6 million. The overall projected associated costs from 2008 to project completion amount to $146.8 million. In order to fully absorb the associated and the secondary data centre costs in the amount of $167.5 million, the Office of the Capital Master Plan would have to eliminate buildings from the capital master plan scope.

96. Detailed financial data relating to the associated costs of the capital master plan and estimated future costs are set out in an addendum to the present report (A/66/527/Add.1). It has been determined that continuous attribution and charge of the associated costs to the capital master plan account will inevitably have an adverse impact on the financial position of the capital master plan, as well as having a negative impact on the liquidity of the project account. The options with respect to the financing of the associated costs are presented in section XIV below.

### B. Secondary data centre

97. The aggregate resources approved by the General Assembly for the secondary data centre total $20.97 million. The actual expenditure to 1 October 2011 in respect of the secondary data centre project amounts to $16.3 million.

98. The Office of Information and Communications Technology estimates that future resource requirements, for the lease of the secondary data centre facility and for contractors, for the remainder of the biennium 2010-2011 amount to $4.4 million, which gives a total projected cost of $20.7 million. The cumulative funding from the support account for peacekeeping operations for the period from 1 July 2009 to 30 June 2011, approved by the General Assembly in its resolutions 63/269 and 64/228, totals $3.3 million. As such, the unfunded costs of the secondary data centre requested to be absorbed by the capital master plan amount to $17.4 million.

## XIV. Financing arrangements proposed for the consideration of the General Assembly

99. In paragraph 12 of its resolution 61/251, the General Assembly requested the Secretary-General to submit for its consideration possible options on how to remain within the approved capital master plan budget in the unlikely event that it became evident that the costs would exceed the approved budget.

100. In accordance with that request of the General Assembly, the Secretary-General makes the following recommendation, which if accepted would allow the Secretariat to completely or significantly meet funding requirements with respect to the associated costs accumulated as at 30 June 2011 and future costs envisaged by the Secretariat, as necessary.

101. As the project is now in its final years, consideration could be given to authorizing the utilization of the working capital reserve[1] and interest earned on the capital master plan resources. The interest income and the working capital reserve of the capital master plan are a significant pool of funds which have accrued and could help resolve a significant portion of the project's funding problem. As the project is now in its final years, consideration could be given to authorizing the utilization of the interest income and the working capital reserve established to mitigate liquidity risks.

102. It is proposed that the interest income and the working capital reserve be released to partially cover the combined direct project costs and the associated and

[1] In its resolution 61/251, the General Assembly approved the establishment of a working capital reserve of $45 million under the capital master plan account.

secondary data costs, as necessary. It should be noted that, as at 1 October 2011, the interest income is $104.1 million, and $45 million is available in the working capital reserve. Together, these resources total $149.1 million.

103. If the recommendations contained in the preceding paragraph are accepted by the General Assembly, the potential project shortfall would be reduced from $284.3 million, as detailed in table 5, to $131.9 million. The revised project requirements, which incorporate the proposals set out above, are presented in table 8.

Table 8
**Adjusted resource requirements of the capital master plan with financing options**
(Thousands of United States dollars)

| | *As at May 2011* |
|---|---|
| Capital master plan (direct costs) | 1 961 921 |
| Associated costs | 146 806 |
| Enhanced security upgrade | 99 557 |
| Secondary data centre | 20 700 |
| Provision for office space rent from October 2012 | 42 550 |
| **Total** | **2 271 534** |
| *Less* | *As at 1 October 2011* |
| Assessments on Member States | 1 876 700 |
| Voluntary contributions | Up to 10 500 |
| Contribution for the enhanced security measures | Up to 100 000 |
| Interest income | 104 100 |
| Working capital reserve | 45 000 |
| Funding from the support account for the secondary data centre | 3 286 |
| **Total** | **2 139 586** |
| Shortfall | 131 948 |

104. It has been determined, as at the time of preparation of the present report, that the proposed financing arrangement, if approved by the General Assembly, would enable the Office of the Capital Master Plan to cover construction, associated and secondary data centre costs with a predictable cash flow until April 2013.

105. The remaining consolidated expenditure until project completion amounts to $627.4 million, as presented in table 9 below.

Table 9
**Remaining consolidated expenditure of the capital master plan, associated costs and secondary data costs until project completion**
(Thousands of United States dollars)

| *Consolidated requirements* | *Amounts* |
|---|---|
| Capital master plan (direct costs) | 1 961 921 |
| Associated costs | 146 806 |
| Enhanced security upgrade | 99 557 |
| Secondary data centre | 17 414 |
| Provision for office space rent from October 2012 | 42 550 |
| **Total** | **2 268 248** |
| *Less expenditure* | |
| Capital master plan including enhanced security upgrade | 1 586 234 |
| Associated costs | 38 326 |
| Secondary data centre | 16 304 |
| **Remaining estimated expenditure** | **627 384** |

106. The proposed funding arrangements, if approved by the General Assembly, would eliminate the need for additional appropriation of resources for the capital master plan and subsequent assessment of contributions on the Member States until the beginning of 2013.

# XV. Response to recommendations of the oversight bodies

107. In paragraph 133 of its report on the capital master plan for the year ended 31 December 2008 (A/64/5 (Vol. V)), the Board of Auditors recommended that, in accordance with General Assembly resolution 63/270, the Administration disclose in the cost estimate for the capital master plan the associated costs approved by the General Assembly. Table 8 above reflects the consolidated financial requirements, inclusive of the net capital master plan costs, associated costs and secondary data centre costs. The total projected costs take into account actual expenditure for the biennium 2008-2009, forecast expenditure for the biennium 2010-2011 and projected expenditure until project completion.

108. Other recommendations of the Board of Auditors, presented in its report on the capital master plan for the year ended 31 December 2010 (A/66/5 (Vol. V)), have been addressed throughout the present report.

# XVI. Conclusions and recommendations

109. The project remains within reach of completion on time and close to the original budget. Since its approval in 2007 and groundbreaking in 2008, the completion of the five-year project has slipped only one year, to 2014. It is projected that the work will be completed with an overall variance of approximately 4 per cent from the approved budget.

110. If the General Assembly permits the interest earned on the capital master plan funds and the capital reserve fund to be applied to the project, all but approximately $131.9 million of the cumulative net project costs, associated costs and secondary data centre costs will be covered. Utilization of the interest income and the working capital reserve would provide sufficient sums to fully meet the financial requirements relating to the original project scope and to meet part of the associated and secondary data centre costs.

111. **The Secretary-General recommends that the General Assembly:**

(a) **Take note of the progress made since the issuance of the eighth annual progress report;**

(b) **Request the Secretary-General to continue reporting on the status of the project, the schedule, the aggregate projected cost to complete, the status of contributions, interest and the working capital reserve;**

(c) **Endorse the recommendations and proposals contained in the present report relating to the utilization of the interest earned on the capital master plan funds and the capital reserve fund.**